



January 22, 2015

HOUSING POLICY COUNCIL OF THE FINANCIAL SERVICES ROUNDTABLE

STATEMENT FOR THE RECORD

H.R.189, SERVICEMEMBER FORECLOSURE PROTECTION EXTENSION ACT OF 2015

Dear Chairman Miller, Ranking Member Brown and Members to the Committee:

The Housing Policy Council of the Financial Services Roundtable¹ is pleased to respond to the committee's request for written testimony for the record on H.R. 189, the "Servicemember Foreclosure Protections Extension Act of 2015."

The Housing Policy Council supports extending the one year protection from foreclosure for military personnel leaving active duty under the Servicemembers Civil Relief Act (SCRA). The current one-year protection from foreclosure will expire at the end of this year and revert back to the original 90 day protection under the SCRA. We support the purpose of H.R. 189 to extend the foreclosure moratorium for an additional year set to expire as of January 1, 2017. As the Committee knows, with the on-going personnel transitions in all U.S. military branch services, there is a continuing need for the one-year protection.

In addition, we strongly encourage the Committee to examine the feasibility of making the one-year protection from foreclosure permanent law. Service members in the active Armed Forces, as well as National Guard and Reserve personnel, face unique challenges when transitioning from active duty. Congress should examine whether the one-year protection should be made permanent. From the perspective of mortgage lenders and servicers, a permanent change in law would set a clear and permanent standard that all industry members could incorporate into their systems and procedures, which many already have. A permanent change in law would also provide clear guidance to investors such as the Government Sponsored Enterprises, who are likely to follow statutory requirements versus recognizing individual company policies that may continue to provide a one-year protection from foreclosure rather than revert back to the original 90 days of protection upon sunset of the current one-year provision.

As you know, in 2012 Congress extended the SCRA protection against foreclosure and eviction for military personnel to one-year post-active military service to allow service members and military

¹ The Housing Policy Council of The Financial Services Roundtable consists of thirty-two of the leading national mortgage finance companies. HPC members originate, service, and insure mortgages. We estimate that HPC member companies originate approximately 75% and service two-thirds of mortgages in the United States. HPC's mission is to promote the mortgage and housing marketplace interests of member companies in legislative, regulatory, and judicial forums.



families sufficient time to get on their feet, and to avoid the stress of potentially losing their home as the service member transitions from active duty to civilian life. Some service members, particularly those leaving active-duty and re-acclimating to civilian life, continue to face financial challenges and those challenges are likely to continue for the foreseeable future. Also, slow recoveries in real-estate markets in some areas of the country, particularly in areas surrounding military bases, may continue and make it difficult for military members to sell their homes and find new housing upon receiving new orders resulting from a Permanent Change of Station (PCS). Therefore, many of our member companies have established the one-year protection from foreclosure as standard company policy, and we would urge the Committee to fully examine whether or not a permanent extension of the one-year protection from foreclosure is the right policy. Maintaining the one-year protection would benefit many military customers and would also maintain continuity in the policies and operating systems for all lender/servicers at a time when new standards are being implemented to comply with new industry regulations.

Additionally, as the Committee examines issues such as the foreclosure protection pertaining to SCRA, we urge the Committee to consider the ongoing challenges that the financial services industry faces in complying with the law. The Department of Defense's Defense Manpower Data Center (DMDC) has become a critical resource to enable financial services companies to identify the active-duty status of their military customers and apply SCRA protections in a timely manner. The use of the DMDC system has been recognized by federal and state regulators in various agreements as an important tool to enhance industry compliance with SCRA and provide these protections to eligible individuals as quickly and efficiently as possible.

In 2014 several major mortgage servicers who are members of the Housing Policy Council entered into voluntary agreements with the Obama Administration² to better enhance efforts to proactively contact service members. These voluntary agreements included applying the SCRA interest rate cap to eligible service members in a timelier, more efficient and less burdensome manner. These voluntary agreements require quarterly interface of a servicer's mortgage portfolio against the DOD's DMDC-SCRA database system to determine active status of military customers on a company's portfolio. Once active status is determined based off of a quarterly interface with DOD's DMDC-SCRA database system, a servicer is required to proactively notify the eligible military customer of the benefits they are entitled to and apply the appropriate SCRA protections. These enhancements were designed to lessen the burden of the requirement that a service member submit a written request and official military orders to their servicer to avail themselves of SCRA protections, and instead recognize a positive query from the DMDC-SCRA system as sufficient evidence to proactively communicate to eligible service members the benefits to which they are entitled. Because the industry continues to increase its reliance on the DMDC-SCRA system for the

² <http://fsroundtable.org/banks-can-back-nations-military-heroes/>



purposes of compliance with SCRA, it is important to continue and explore ways to improve the accuracy, reliability and efficiency of DOD database systems. FSR and HPC continue to urge DOD to consider developing a User's Advisory Council³ of lenders, retailers, veteran service organizations and consumer groups to facilitate collaboration on ways to improve DOD database systems.

We appreciate the committee's interest in addressing military consumer financial services issues, and we are eager to continue to work with you and your staff on ways to accomplish this mutual goal. Thank you for your service to our country and your dedication to improving the lives of military service members.

Sincerely,

John H. Dalton
President
Housing Policy Council of the Financial Services Roundtable

³ <http://fsroundtable.org/fsr-hpc-file-comment-letter-dods-proposed-mla-safe-harbor-rule/>